

Kentucky Agricultural Finance Corporation

Minutes of the June Meeting

The meeting of the Kentucky Agricultural Finance Corporation was held on Friday, June 2, 2006 at 10:00 AM EDT at the Transportation Conference Center in Frankfort, Kentucky. Glenn Mitchell, presiding, called the meeting to order. Mr. Mitchell then asked Nicole Ray, Secretary, to call the roll.

Members Present

Commissioner Farmer (Glenn Mitchell, designee), Larry Jagers, Charles Miller, Frank Penn, Bob Proffitt, Secretary Rudolph (Ed Ross, designee), Annette Crawford Walters

Members Absent

Wayne Hunt, Jane Jones, Doug Lawson, Billy Joe Miles, James Reams

Others Present

Staff - Catherine Ball, David Bratcher, Tim Hughes, Bill McCloskey, Nicole Ray, Keith L. Rogers

Guests- Ashley Ross, GOAP Intern; Lowell Atchley, Legislative Research Commission; Kaycie Carter, Community Farm Alliance

Notification of Press

Keith Rogers stated that the media had been notified.

Review and approval of Minutes of April 7, 2006

A motion to approve the April minutes was made by Mr. Penn, seconded by Ms. Walters. The motion passed without dissent.

Executive Director's Report

Mr. Rogers reminded the Board of the joint meeting with the Agricultural Development Board scheduled for July 20-21 in Henderson and updated the Board on the current allocations for ADB projects.

Mr. Rogers notified the Board of the dates for the Kentucky State Fair and the Kentucky Farm Bureau Ham Breakfast.

Marketing and Business Development Coordinator's Report

Mr. Hughes updated the Board on the increasing interest in the Infrastructure Program.

Mr. Hughes notified the Board of his attendance last month at the South East Agricultural Lenders School in South Carolina.

Mr. Hughes called the Board's attention to the loan status report and discussed loan amounts in each program.

Old Business

Agricultural Infrastructure Loan Program

Gross Farm Income Calculation

Mr. Rogers called the attention of the Board to the memo titled “Recommendation for Agricultural Infrastructure Loan Program” (On file with Board Secretary) and described three methods for calculating gross income from farming. Staff recommends adopting Method C: This method uses only two tax forms, the standard 1040 and Schedule F. This method uses two figures, the first Adjusted Gross Income (Line 36 of Form 1040) and Gross Farm Income (Line 11 of Schedule F). **Mr. Miller made a motion to approve Method C as defined in the memo, the motion was seconded by Mr. Proffitt. The motion passed without dissent.**

Interest Rate

Mr. Rogers called the attention of the Board to the memo titled “Loan Interest Rates” (On file with Board Secretary) and recommended continuing with current interest rates as long as the Federal Funds rate does not exceed 5.5%. **A motion to accept the recommendation was made by Mr. Jagers, seconded by Mr. Penn. The motion passed without dissent.**

Project start date relative to application date

Mr. Rogers called the attention of the Board to the memo titled “Policy on Infrastructure Projects Under Construction” (On file with Board Secretary). Staff recommends the language in the guidelines be changed to only allow construction or improvements made after the application is received to be eligible for loan funding. **A motion to accept the recommendation was made by Mr. Jagers, seconded by Mr. Miller. The motion passed without dissent.**

Coordinated Value-Added Assistance Loan Fund

Mr. Hughes called the attention of the Board to the proposed application for the Coordinated Value-Added Assistance Loan Program. The Board took no action.

Beginning Farmer Loan Fund

Auction purchases

Mr. Rogers called the attention of the Board to the memo titled “Auction Policy modification” and the original memo titled “Auction scenarios for Beginning Farmer Loan Program” (Both on file with Board Secretary). Staff proposes adopting Option 1 from the Auction Policy modification memo and Option 2 from the Auction scenarios memo. **A motion to adopt both policies was made by Ms. Walters, seconded by Mr. Penn. The motion passed without dissent.**

West Kentucky Grower Cooperative Facility

Mr. Rogers notified the Board that KAFC took possession of the West Kentucky Growers Cooperative facility on April 27. Staff has met with Real Properties staff to discuss leasing the facility. Mr. Rogers distributed a motion giving the Executive Director authority to make all decisions relating to the facility (On file with Board Secretary). **A motion to give decision making authority regarding the West Kentucky Growers Cooperative facility to Keith Rogers was made by Mr. Miller, seconded by Mr. Ross. The motion passed without dissent.**

New Business

Loan applications

Agricultural Infrastructure Loan Program - Discussion and Action

Mr. Hughes presented the following loan applications:

AF06-0019 Applicants are requesting \$30,300 over ten years for construction of a new 10 bent tobacco barn. Farm Credit Services of Mid-America in Lexington is the participating lender. **This application has met the requirements and was approved by staff.**

AF06-0020 Applicants are requesting \$7,500 over ten years for construction of a new 32' x 72' tobacco barn. Central Kentucky Ag Credit in Lebanon is the participating lender. **This application has met the requirements and was approved by staff.**

AF06-0021 Applicants are requesting \$20,341.55 over ten years for construction of a new 40' x 90' tobacco barn, addition of a 24' x 72' hay shed and field tiling. Farm Credit Services in Bowling Green is the participating lender. **This application has met the requirements and was approved by staff.**

AF06-0022 Applicants are requesting \$100,000 over ten years for construction of a new 20' x 30' boar isolation unit that will be leased back to Birchwood Genetics, Inc. Edmonton State Bank in Scottsville is the participating lender. **A motion to approve was made by Mr. Penn, seconded by Mr. Miller. The motion passed without dissent.**

AF06-0023 Applicants are requesting \$18,250 over ten years for construction of a new tobacco barn. United Citizens Bank & Trust Company in Carrollton is the participating lender. **This application has met the requirements and was approved by staff.**

AF06-0024 Applicants are requesting \$85,179 over ten years for capital improvements including excavation, installation of gates and waterers, construction of roads and renovation of barns. Central Kentucky Ag Credit in Lexington is the participating lender. **A motion to approve was made by Ms. Walters, seconded by Mr. Proffitt. The motion passed without dissent. Mr. Miller abstained from voting.**

AF06-0026 Applicants are requesting \$44,688 over ten years for construction of a 48' x 288' tobacco barn. Farm Credit Services in Hardinsburg is the participating lender. **This application has met the requirements and was approved by staff.**

AF06-0027 Applicants are requesting \$17,500 over ten years for construction of a new 48' x 108' tobacco barn. Bank of Columbia is the participating lender. **This application has met the requirements and was approved by staff.**

AF06-0028 Applicants are requesting \$80,000 over ten years for renovation of a milk parlor. Central Kentucky Ag Credit in Lebanon is the participating lender. **A motion to**

approve was made by Ms. Walters, seconded by Mr. Jagers. The motion passed without dissent.

AF06-0029 Applicants are requesting \$45,483.50 over ten years for renovation, construction and fencing for development of an equine boarding facility. Citizens Commerce National Bank in Versailles is the participating lender. **A motion was made by Mr. Proffitt, seconded by Ms. Walters to table decision on this application, to instruct staff to meet with applicant and loan officer to review information that is missing and to discuss the applicant's needs for farm business analysis assistance. The Board is interested in the loan and believes the applicant is the type of individual they would like to help with this program. The motion passed without dissent.**

AF06-0030 Applicants are requesting \$73,493.93 over ten years for improvements to a dairy operation. Bank of Edmonson County in Brownsville is the participating lender. **A motion to approve was made by Ms. Walters, seconded by Mr. Penn. The motion passed without dissent.**

AF06-0031 Applicants are requesting \$47,500 over ten years for construction of a new 60' x 160' tobacco barn. United Southern Bank in Crofton is the participating lender. **Staff approved the loan contingent upon the appraisal confirming acceptable loan-to-value.**

AF06-0032 Applicants are requesting \$77,500 over ten years for construction of a new 300' x 60' tobacco barn and a 30' x 40' migrant house. South Central Bank in Elizabethtown is the participating lender. **A motion to approve was made by Ms. Walters, seconded by Mr. Miller. The motion passed without dissent.**

AF06-0034 Applicants are requesting \$9,584 over seven years for construction of a 56' x 72' tobacco barn. Farm Credit Services of Mid-America in Bowling Green is the participating lender. **This application has met the requirements and was approved by staff.**

Agricultural Processing Loan Program – Discussion and Action

Mr. Hughes updated the Board on the following applications:

AF06-0017 Commonwealth Chemical Traders is still in discussion with staff.

AF06-0018 Gone Fishin' Catfish Farms has withdrawn its application.

AF06-0025 McDowell Farms Salsa was referred to KAFC by the ADB. KAFC staff has not received a complete application.

Beginning Farmer Loan Program – Discussion and Action

Mr. Hughes presented the following application:

AF06-0033 Applicant is requesting \$100,000 over seven years for the purchase of equipment for production and marketing of nursery stock. Jackson Purchase ACA in Murray is the participating lender. **A motion was made by Mr. Proffitt, seconded by Mr. Ross to approve conditionally on receiving a complete business plan and per item pricing on the equipment listed totaling \$112,000 and allow up to a 20% variance per item in the final price. The motion passed without dissent.**

Other Business

No other business.

Closing Remarks

The motion to adjourn was made by Mr. Penn, seconded by Mr. Miller

The motion passed without dissent. The meeting adjourned at 12:55 EDT.